

Message Text

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FM AMEMBASSY BOGOTA

TO SECSTATE WASHDC 6693

INFO USDOC WASHDC

AMCONSUL CALI

AMCONSUL MEDELLIN

UNCLAS SECTION 1 OF 2 BOGOTA 717

EO 11652: NA

TAGS: BEXP CO

SUBJ: US FOOD PROCESSING, PACKAGING AND AGRICULTURAL EQUIPMENT

TRADE MISSION: PRELIMINARY MARKET SURVEYS

1. SUMMARY: GOVERNMENT POLICY SETS HIGH PRIORITY ON INCREASING AGRO/PASTORAL PRODUCTION. NO WELL-DEFINED POLICY THUS FAR FORMULATED FOR FOOD PROCESSING AND PACKAGING INDUSTRY. MARKET SIZE FOR MACHINERY AND EQUIPMENT DURING FIRST THREE QUARTERS OF 1974 WAS US 3.7 MILLION IN BOTTLING AND PACKAGING, US 27.2 MILLION IN REFRIGERATION, US 5.8 MILLION IN FOOD PROCESSING AND US 31.6 MILLION IN AGRICULTURE. DURING THE SAME PERIOD IMPORTS TOTALED US 3.5 MILLION (95 PERCENT OF MARKET) IN BOTTLING AND PACKAGING, US 7.5 MILLION (28 PC OF MARKET) IN REFRIGERATION, US 5.3 MILLION (91 PC OF MARKET) IN FOOD PROCESSING AND US 21.6 MILLION (68 PC OF MARKET) IN AGRICULTURE. US SHARE OF IMPORTS VARIES FROM 42 PC OF BOTTLING AND PACKAGING TO 65 PC OF AGRICULTURAL MACHINERY AND EQUIPMENT IMPORTS. DOMESTIC PRODUCTION OF MACHINERY AND EQUIPMENT RANGES FROM 9 PC OF TOTAL MARKET FOR BOTTLING AND PACKAGING TO 72 PC OF TOTAL MARKET FOR REFRIGERATION EQUIPMENT. IMPORT DUTIES RANGE FROM 2 PC ON TRACTORS TO 90 PC FOR LOCALLY ASSEMBLED REFRIGERATORS.

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2. GOVT POLICY: ADMINISTRATION OF PRES LOPEZ HAS COME OUT STRONGLY

FAVORING INCREASED AGRO/PASTORAL PRODUCTION EXPLICITLY DESIGNATING THIS SECTOR AS AMONG TOP FOUR PRIORITY AREAS FOR GOVT ACTION. LENDING SUPPORT TO THIS POLICY, GOC RECENTLY AUTHORIZED SHORT-TERM CREDITS OF US 140 MILLION TO INCREASE PRODUCTION OF EIGHT BASIC CROPS WITH ASSURANCES OF SUBSEQUENT CREDITS OF MEDIUM TO LONG TERM DURATION. SINCE CREDIT HAS BEEN A MAJOR IMPEDIMENT WITHIN AGRO/PASTORAL SECTOR, SIGNIFICANT PRODUCTION INCREASES ARE LIKELY. MOREOVER, IN RECOGNITION OF COLOMBIA'S JUXTAPOSITION BETWEEN OPEC MEMBERS, ECUADOR AND VENEZUELA, LOPEZ ADMINISTRATION LOBBYING FOR INCREASED AGRO/PASTORAL ROLE FOR COLOMBIA WITHIN ANDEAN GROUP. UNFORTUNATELY, A SIMILAR PRIORITY HAS NOT BEEN ACCORDED TO FOOD PROCESSING AND PACKAGING INDUSTRY. WHILE ANTICIPATES SURGE IN AGRO/PASTORAL PRODUCTION SHOULD INDUCE SOME EXPANSION OF FOOD PROCESSING AND PACKAGING INDUSTRY, THE GENERALLY INCIPIENT STATE OF LATTER INDUSTRY AND LACK OF WELL DEFINED STIMULATIVE POLICY INDICATES THAT NO MAJOR EXPANSION IS LIKELY, AT LEAST IN SHORT TERM. NONETHELESS 1975 WILL BE AS GOOD A YEAR AS ANY FOR NTM FIRMS TO ESTABLISH AN IDENTITY AND COMMERCIAL PRESENCE IN COLOMBIAN MARKET.

3. MARKET SIZE: IMPORTS AND DOMESTIC PRODUCTION MINUS EXPORTS.

MACHINERY AND EQUIPMENT (VALUES IN THOUSANDS OF US DOLLARS)

BOTTLING AND PACKAGING REFRIGERATION FOOD AGRICULTURAL PROCESSING

(1971)				
EXP	37	115	254	854
IMP	3,109	3,322	2,708	8,240
D P &	184	14,778	541	13,505
M S	3,256	17,985	2,995	20,891

(1972)				
EXP	49	103	315	1,230
IMP	3,020	4,541	3,305	13,290
D P &	228	16,281	661	11,600
MS	3,199	20,719	3,651	23,660

(1973)				
EXP	251	114	627	1,048

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IMP	3,359	5,818	3,366	8,028
D P &	302	18,768	673	10,794
MS	3,410	24,472	3,412	17,774

(JAN-SEPT 1974)				
EXP	137	15	567	1,858
IMP	3,534	7,536	5,329	21,643
D P &	330	19,706	1,066	11,855
MS	3,727	27,227	5,828	31,640

EXP - EXPORTS; IMP - IMPORTS; D P& - DOMESTIC PRODUCTION IS
ESTIMATED AND SUBJECT TO MODIFICATION PENDING CONCLUSION OF
INTERVIEW SCHEDULE WITH END USERS, AGENTS, ETC.; MS - MARKET SIZE.

4. US SHARE OF IMPORTS AND FOREIGN COMPETITION

A) BOTTLING AND PACKAGING MACHINERY - US SHARE OF IMPORTS
AVERAGED 42 PC WITH WEST GERMANY, SWITZERLAND AND ITALY AS MAJOR
COMPETITORS.

B) REFRIGERATION EQUIPMENT - US SHARE OF IMPORTS AVERAGED 62
PC, FOLLOWED BY ECUADOR (ACCOUNTS MAINLY FOR DOMESTIC REFRI-
GERATORS DUE TO ANDEAN COMMON MARKET NEGOTIATIONS), FRANCE
(MAINLY SMALL SIZE HERMETIC COMPRESSORS) AND BRAZIL.

C) FOOD PROCESSING EQUIPMENT - US SHARE OF IMPORTS AVERAGED 47
PC, FOLLOWED BY WEST GERMANY, ITALY AND SWITZERLAND.

D) AGRICULTURAL MACHINERY - US SHARE OF IMPORTS REPRESENTS

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NSAE-00 RSC-01 TRSE-00 XMB-04 OPIC-06 SP-02 CIEP-02

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APPROXIMATELY 20 PC BUT IMPORTS COMING IN FROM US OWNED FIRMS
LOCATED IN THIRD COUNTRIES ACCOUNT FOR AN ADDITIONAL 45 PC OF
TOTAL IMPORTS.

5. DOMESTIC PRODUCTION - AS INDICATED IN ABOVE TABLE PORTRAYING MARKET SIZE, ESTIMATED DOMESTIC PRODUCTION IN THE FIRST THREE QUARTERS OF 1974 RANGED FROM 9 PC IN BOTTLING AND PACKAGING TO 72 PC IN REFRIGERATION MACHINERY AND EQUIPMENT. FROM 1971 TO 1974 DOMESTIC PRODUCTION INCREASED IN EACH OF THE FOLLOWING INDUSTRIES EXCEPT AGRICULTURE

A) BOTTLING AND PACKAGING - LOCAL PRODUCTION IS LIMITED TO MEDIUM CAPACITY BOTTLE WASHERS, POLYETHYLENE AND CELLOPHANE PACKAGING MACHINERY, AND VERY SIMPLE "SKIN PACKAGING" AND "BLISTER PACKAGING" SYSTEMS.

B) REFRIGERATION - LOCAL PRODUCTION COMPREHENDS PRIMARILY DOMESTIC REFRIGERATORS, SMALL TO MEDIUM SIZED COMPRESSORS, AIR CONDITIONING COMPONENTS AND SPARE PARTS.

C) FOOD PROCESSING - LOCAL PRODUCTION IS CONCENTRATED IN THREE RELATIVELY LARGE PRODUCERS, ONLY ONE OF WHICH IS EXCLUSIVELY DEVOTED TO THE PRODUCTION OF FOOD PROCESSING EQUIPMENT AND UNCLASSIFIED

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MACHINERY, WHICH SPECIALIZE PRIMARILY IN GRAIN PROCESSING AREA. WHILE IMPORT LICENSES ARE STILL ISSUED FOR GRAIN PROCESSING IMPORTS (OSTENSIBLY DUE TO LOCAL END-USER COMPLAINTS OF POOR QUALITY) AS LOCAL MANUFACTURERS IMPROVE QUALITY, IMPORTS WILL TEND TO BE REDUCED. THE FOLLOWING FOOD PROCESSING MACHINERY AND EQUIPMENT REPORTEDLY IS BEING PRODUCED DOMESTICALLY: GENERAL FOOD PROCESSING - AUTOCLAVES, MIXING, STORAGE AND FERMENTING TANKS, SCREW FEEDERS, HEAT INTERCHANGERS, FEEDING HOPPERS, EVAPORATORS, PUMPS, VEGETABLE OIL COOLERS, HYDROGENATING EQUIPMENT, BAKERY OVENS AND MIXERS, AND VEGETABLE PEELERS; GRAIN PROCESSING - GRAIN DRYERS, ELEVATORS, CLEANERS, MIXERS, MILLING SEPARATORS, MIDDLING PURIFIERS, MILLING ACCELERATORS, WET MACHINES, PROPORTIONERS, PNEUMATIC TRANSPORTATION SYSTEMS, GRAIN PLANNING MACHINES, CLASSIFIERS, CLEANING HOPPERS, SCREENING MACHINES, AND RICE HULLERS AND CLEANERS; SLAUGHTERHOUSE EQUIPMENT - METALLIC PLATFORMS, STAINLESS STEEL HOPPERS, ROTATING SINKS, AUTOMATIC SHOWERS, STAINLESS STEEL AND GALVANIZED CHUTES, HANGING SCALES, MECHANICAL SAWS FOR MEAT AND BONES; DAIRY EQUIPMENT - STORAGE AND TRANSPORTATION THERMOTANKS, CREAM TANKS, CHEESE CONTAINERS, CENTRIFUGAL PUMPS, EVAPORATORS, MILK COOLING TANKS.

D) AGRICULTURAL - LOCAL PRODUCTION HAS TENDED TO REGRESS OVER LAST FEW YEARS OWING TO IRREGULAR AGRICULTURAL PRODUCTION. HOWEVER, WITH THE NEW PRIORITY ACCORDED TO AGRO/PASTORAL SECTOR, DOMESTIC PRODUCTION OF MACHINERY AND EQUIPMENT SHOULD EXPAND. LOCALLY PRODUCED PRODUCTS INCLUDE SUGAR CANE AND GRAIN MILL MACHINERY, AGRICULTURAL FUMIGATORS, COFFEE AND RICE PROCESSING MACHINES, CANE SLICERS, HEMP FIBER REMOVERS, TOOLS AND SPARE

PARTS FOR TRACTORS AND MSL AGRICULTURAL MACHINERY.

6. IMPORT DUTIES: A) BOTTLING AND PACKAGING MACHINERY - IMPORT DUTIES RANGE FROM 25 PC FOR CELLOPHANE PACKAGING MACHINERY TO 57 PC FOR BOTTLE WASHERS (LOCALLY PRODUCED).

B) REFRIGERATION EQUIPMENT - IMPORT DUTIES RANGE FROM 35 PC FOR COMPRESSORS AND SEALED UNITS TO 90 PERCENT FOR REFRIGERATORS (LOCALLY MANUFACTURED). INDUSTRIAL REFRIGERATION IS PROTECTED BY 40 PC DUTY.

C) FOOD PROCESSING EQUIPMENT - IMPORT DUTIES RANGE FROM 5 PC FOR PASTEURIZERS TO 38 PC FOR WINE AND CIDER PROCESSING MACHINES.
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MOST FOOD PROCESSING EQUIPMENT AVERAGES 25 PC.

D) AGRICULTURAL MACHINERY - IMPORT DUTIES RANGE FROM 2 PC ON TRACTORS TO 47 PC ON COFFEE PULPERS.

7. BEST SALES PROSPECTS: MARKET RESEARCH HAS UNCOVERED FOLLOWING BEST SALES PROSPECTS: (A) BOTTLING AND PACKAGING - BOTTLING MACHINERY AND EQUIPMENT FOR BREWERY AND SOFT DRINK INDUSTRY, WRAPPING MACHINES FOR TOBACCO AND CANDY, PACKAGING EQUIPMENT FOR FRUITS AND VEGETABLES. (B) REFRIGERATION - COMPONENTS FOR ALL TYPES OF COMPRESSORS, LARGE CAPACITY INDUSTRIAL COMPRESSORS, INTEGRATED AIR-CONDITIONING SYSTEMS, LARGE INDUSTRIAL AND REFRIGERATION SYSTEM. (C) FOOD PROCESSING - SUGAR MILL EQUIPMENT, CANDY CONFECTIONING EQUIPMENT, PRECOOKED FLOUR EQUIPMENT, SPECIALIZED SMALL TO MEDIUM CAPACITY GRAIN AND DRIED VEGETABLE PROCESSING EQUIPMENT, MACHINERY FOR UTILIZATION OF VEGETABLE AND ANIMAL BYPRODUCTS, AND FRUIT PROCESSING EQUIPMENT AGRICULTURE - TRACTORS, COMBINES, SPRAYERS, AND SEED TREATING EQUIPMENT. MACHINERY AND EQUIPMENT TO UTILIZE RESIDUE OF RICE CLEANING OPERATION MUCH OF WHICH IS NOW BURNED.
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